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FISCAL IMPACT STATEMENT

LS 6167

BILL NUMBER: HB 1011

NOTE PREPARED: Feb 18, 2013

BILL AMENDED: Feb 18, 2013

SUBJECT: Public Mass Transportation.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes the establishment of a metropolitan transit district (MTD) by specified eligible counties through local public questions and provides for an appointed board to govern the MTD. It authorizes the MTD to: (1) construct or acquire any public transportation facility; (2) provide public transportation service by operating public transportation facilities; and (3) issue bonds and otherwise incur indebtedness. It authorizes the Indiana Finance Authority to issue bonds and use the proceeds to acquire any obligations issued by a MTD. It provides that in a county that has approved the local public question, an additional County Economic Development Income Tax (CEDIT) rate of not more than 0.3% may be imposed to pay the county's contribution to the funding of the MTD. It also specifies that the CEDIT rate may not exceed the recommended tax.

The bill specifies that a county or city council (other than the city-county council of Marion County) may elect by ordinance to provide revenue to a public transportation corporation from the city's or the county's distributive share of County Adjusted Gross Income Taxes (CAGIT), County Option Income Taxes (COIT), or CEDIT.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of Local Government Finance (DLGF):* The DLGF will set the maximum permissible ad valorem property tax levy for taxing units. This is expected to be implemented within the current level of resources available to the DLGF.

Department of Revenue (DOR): The services provided by a new MTD within its district are exempt from

regulation by DOR. Services provided outside of the district are not exempt.

Indiana Finance Authority (IFA): If the IFA issues bonds to assume the debt incurred or assumed by an MTD, the IFA may incur additional costs in the issuance of those bonds.

Explanation of State Revenues: *Tax Exemptions:* The property owned by the MTD, the revenue of the MTD, and bonds of the MTD, including interest and proceeds on the bonds, would be exempt from Indiana taxes, except for the Financial Institutions Tax and the Inheritance Tax. [Note: (1) Interest received on bonds issued by the State of Indiana or political subdivisions is currently exempt from Indiana Income Tax. (2) SEA 293-12 provided for a phaseout of the Inheritance Tax, beginning with decedents whose deaths occur during CY 2013. The Inheritance Tax will no longer apply to property interests transferred by decedents whose deaths occur after December 31, 2021.]

Explanation of Local Expenditures: (Revised) *Summary:* The bill will have an indeterminate fiscal impact on transportation services in Marion County and surrounding counties as all impacts will be based on the decisions of multiple county fiscal bodies and their voters. The decisions of a new MTD in the planning, acquisition, and management of transit services and the methods of financing selected by the MTD board will determine the expenditures of the MTD.

An MTD may acquire, establish, construct, renovate, improve, equip, operate, maintain, finance, subsidize, lease, and regulate public transportation systems serving the district. An MTD may enter into agreements with government agencies, political subdivisions, and other persons to provide for public safety services. An MTD is considered a political subdivision for purposes of Indiana's tort claim law. Additionally, an MTD exercises all of the powers of a regional transportation authority.

An MTD may, with the approval of the local authorizing body, create a tax increment financing (TIF) district within 0.5 miles of a fixed guideway transit corridor. The local authorizing body and the MTD must agree on the allocation of any TIF revenue between the MTD and the local jurisdiction. Any TIF district created under the bill expires after five years. Any contractors that construct a facility financed by using or pledging TIF revenue under the bill must adopt policies concerning the preferential hiring of residents of the TIF district.

The MTD may not impose any tax nor does the MTD have the right to exercise eminent domain.

The MTD may not issue bonds unless the issuance of the bonds are first reviewed by the fiscal body of each county in which the project being financed by the proposed bond issuance is located.

Before July 1st of the calendar year in which the MTD is established, the MTD must publish the estimated total costs associated with the activities of the MTD on an Internet website maintained by the MTD. If, at any time, costs associated with the MTD exceed the posted amount by more than 5%, the MTD must obtain authority from local voters through a public question in order to issue bonds to finance the project(s) that exceeds the initial estimated project cost.

(Revised) **Background:** *Creation of the MTD:* According to the bill, specified eligible county fiscal bodies may pass an ordinance to place a public question before local voters regarding the creation of an MTD. This ordinance must be passed no later than December 31, 2013. The public question may not be included on the ballot until the 2014 general election. Included in the public question is the question of whether or not to

approve an additional CEDIT which will be used for the county's contribution to the MTD. The maximum allowable additional CEDIT rate is 0.3% for this purpose, and the additional CEDIT may not exceed the recommended tax proposed in the public question.

Eligible counties that may opt into the MTD include:

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|-------------|-----------|
| • Boone | • Johnson |
| • Delaware | • Madison |
| • Hamilton | • Marion |
| • Hancock | • Morgan |
| • Hendricks | • Shelby |

According to the bill, the county fiscal body of Marion County is the City-County Council. For all other eligible counties, the county fiscal body is the county income tax council for those counties with a COIT and the county council for those counties with a CAGIT. The county income tax council is the county fiscal body for Boone, Delaware, Hamilton, and Madison Counties, while the county council is the county fiscal body for Hancock, Hendricks, Morgan, and Shelby Counties.

Irrespective of the approval of the public question in any of the eligible counties, the MTD is only created if one of the following combinations of counties opt into the MTD:

- Marion County only.
- Marion County plus at least one contiguous eligible county.
- Marion County, Madison County, and one of either Hamilton or Hancock counties.
- Delaware County, Madison County, Marion County, and one of either Hamilton or Hancock Counties.

Once the MTD is created, additional eligible counties who did not originally opt into the MTD may still place the question before voters to be included in the MTD.

The bill prohibits the use of any public funds in either the support or opposition of the approval of the local public question on the creation and funding of the MTD.

(Revised) *MTD Board*: If an MTD is created, the board includes the following members:

- Five members from Marion County
- Three members from each participating county that becomes part of the MTD prior to January 1, 2015.
- Two members from each participating county that becomes part of the MTD after December 31, 2014.

The MTD board will employ weighted voting, with each member receiving an allocation of 100 votes, depending upon the financial contribution to the MTD by the county that appointed the member. Members of the MTD board must reside in the county from which the appointment was made. Members from Marion County must be appointed by the mayor, the City-County Council, and the Board of County Commissioners and must represent both major political parties.

(Revised) *Minority and Women's Business Enterprise Goals*: The MTD must set participation goals for minority and women's business enterprises that conform with participation goals established by the city of Indianapolis.

Changes to Central Indiana Regional Transportation Authority (CIRTA): CIRTA is central Indiana's regional transportation authority, which is a quasi-governmental organization focused on bringing more transportation options to Indiana. CIRTA includes all ten of the counties eligible for inclusion in the MTD and is funded primarily through member county contributions, with smaller amounts coming from grants and federal highway planning funds.

If an MTD is established, CIRTA will remain in place, but the board of CIRTA will be reconfigured at such time as the MTD board holds its first meeting. In this event, the new CIRTA board includes the following members:

- Each member of the board of the MTD.
- One member of each county that is part of CIRTA.
- One member representing the three largest municipalities that are not part of the MTD but are still part of CIRTA.
- One member of a labor organization representing CIRTA employees who provide public transportation services within the geographic jurisdiction of CIRTA.

According to the bill, the chair and vice-chair of the MTD are also the chair and vice-chair of CIRTA.

Executive of MTD : The bill requires that the individual hired as chief executive officer to manage the MTD must have at least seven years of experience in public transportation at a senior executive level.

Absorption of IndyGo: IndyGo is abolished in the event that an MTD is established. In such a case, the powers, duties, assets, and liabilities of IndyGo are to be absorbed by the MTD. The taxing district established for IndyGo as a public transportation corporation will continue in existence for purposes of property taxes imposed by the county fiscal body. These funds will be transferred to the MTD to pay for the MTD's costs of carrying out the powers and duties of IndyGo. The MTD is required annually to submit a proposed budget and proposed property tax levy for the ensuing calendar year to the Marion County fiscal body. The fiscal body is required to review the proposed budget and property tax levy and to adopt the property tax levy to enable the MTD to operate an urban mass transportation system.

IndyGo is the primary provider of transit services in Marion County, providing local fixed-route bus service (30 fixed routes), paratransit, and downtown and airport express services. In total, IndyGo delivered more than 9.5 million passenger trips in 2011, which was a 10.16% increase over the previous year. Financial information on IndyGo for 2011 is included below.

IndyGo 2011 Sources of Revenue		
Revenue Source	Amount	Percentage of Total Revenue
Operating Revenues:		
Passenger fares	\$10,401,922	15.95%
Advertising	482,617	0.74%
Non-Operating Revenues:		
Property and excise tax	23,966,467	36.74%
Municipalities	11,026,654	16.91%
Federal Transportation Administration Assistance	12,358,190	18.95%
Contributions - Capital Grants	7,022,467	10.77%
Other Net Revenues	<u>(31,543)</u>	-0.05%
TOTAL REVENUES	\$65,226,774	
<i>Source: IndyGo 2011 Annual Financial Report.</i>		

On December 31, 2011, IndyGo had \$14.7 M of outstanding notes and bonds payable. IndyGo's 2011 capital costs were over \$11.5 M, including facility upgrades and the acquisition of 22 new fixed-route coaches. IndyGo's total assets on December 31, 2011, were valued at \$119.8 M, including land, buildings, vehicles and equipment, other equipment, and construction in progress.

IndyGo employees absorbed by the MTD must be provided with protections in regards to continued representation by any labor organization authorized to act for those employees regarding wages, salaries, hours, working conditions, and pension or retirement provisions.

Explanation of Local Revenues: *CEDIT for MTD:* If an MTD is established, each county that is part of the MTD has the opportunity to approve in the public question authorizing the MTD an additional CEDIT rate of up to 0.3% which will go toward the county's contribution to the MTD. The estimated revenue from a 0.3% CEDIT rate in each of the eligible counties is reported in the table below.

Additional 0.3% CEDIT Rate for Metropolitan Transit District (In millions)		
County	Estimated CY 2015	Estimated CY 2016
Boone	\$6.7 M	\$7.0 M
Delaware	\$5.3 M	\$5.3 M
Hamilton	\$35.8 M	\$38.0 M
Hancock	\$5.4 M	\$5.5 M
Hendricks	\$11.9 M	\$12.5 M
Johnson	\$10.5 M	\$10.9 M
Madison	\$6.2 M	\$6.4 M
Marion	\$51.8 M	\$52.5 M
Morgan	\$4.3 M	\$4.4 M
Shelby	\$2.5 M	\$2.6 M

Public Transportation Corporations Not Located in Marion County: The bill would allow cities and counties (excluding Marion County) to provide additional revenue to public transportation corporations in their area. Local fiscal bodies (on the recommendation of their corresponding public transportation corporation) may elect to provide revenue to the public transportation corporation from part of the fiscal body's distributive share of CAGIT, COIT, or CEDIT revenue. This provision would allow an additional use for the existing revenue and would not change the total amounts distributed to the individual taxing units. Any impact will depend upon local action.

Indiana currently has eight public transportation corporations. These include public transportation corporations in Fort Wayne, Muncie, Gary, Indianapolis, Speedway, Bloomington, South Bend, and Lafayette. The Indianapolis and Speedway public transportation corporations are exempt from this provision in the bill, due to both being located in a county with a consolidated city.

State Agencies Affected: DLGF; Department of Revenue; Indiana Finance Authority.

Local Agencies Affected: Marion, Boone, Delaware, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan, and Shelby Counties, IndyGo, CIRTa, and local public transportation corporations in Fort Wayne, Muncie, Gary, Bloomington, South Bend, and Lafayette.

Information Sources: *IndyGo 2011 Annual Financial Report; CIRTa 2013 Budget;* DLGF Database; OFMA Local Option Income Tax estimates.

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